



877 North 8th West
Riverton, WY 82501 USA

incoming TaskID#
cc: Paul 2503
Ph: (307) 856-9271
Fx: (307) 857-3050
www.usnrg.com

June 27, 2008

Ms. Susan M. White
Mine Program Coordinator
Department of Natural Resources
Division of Oil, Gas and Mining
1594 West Temple, Suite 1210
PO Box 145801
Salt Lake City, UT 84114-5801

Re: Release of Velvet Mine, M370040

Dear Ms. White:

U. S. Energy Corp. requests full release of the Velvet Mine bond. Attached is the completed form MR-Site/Bond Release for the reclamation activities completed at the Velvet Mine site. Also, attached is a detailed drawing showing the areas reclaimed. I have not paid the annual permit fee and have attached the request to the full release form.

Should you have any questions please contact me at 307-856-9271.

Sincerely,
U. S. Energy Corp.

A handwritten signature in black ink, appearing to read 'F. Craft', written in a cursive style.

Fredrick R. Craft
VP Engineering

Attachments (3)

RECEIVED
JUN 30 2008
DIV. OF OIL, GAS & MINING

0001

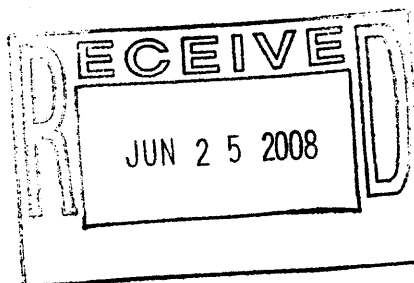


JON M. HUNTSMAN JR.
Governor
MICHAEL R. STYLER
Executive Director
JOHN R. BAZA
Division Director

State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801
801-538-5340
801-359-3940 (Fax)
801-538-7223 (TDD)



U S ENERGY CORP
877 N 800 W
RIVERTON WY 82501

ATTENTION: FRED CRAFT

ANNUAL PERMIT FEE

Annual Permit Fees for July 2008 thru June 2009

SITE NAME	PERMIT ID	ACRES	BILLING DATE
VELVET	M370040	22	06/20/2007
PERMIT TYPE	PERMIT STATUS	ANNUAL FEE	
LARGE MINING OPERATION < 50 ACRES	INACTIVE	\$ 500	

DUE DATE	AMOUNT DUE
07/25/2008	\$ 500

Please retain this portion for your records. For billing information call (801) 538-5291

This portion MUST be returned with your payment to ensure proper credit. THANK YOU

ACCOUNT BILLED	PROJECT NAME	PERMIT ID
U S ENERGY CORP	VELVET	M370040

DUE DATE	ANNUAL FEE	AMOUNT DUE
07/25/2008	\$ 500	\$ 500

<input type="checkbox"/> FEE ENCLOSED	<input type="checkbox"/> FEE NOT ENCLOSED*
---------------------------------------	--

*Failure to pay fees required by the R647 Mineral Rules will result in Withdrawal of the approved Notice of Intention. No mining/exploration activities can occur on the site after the Fee Due Date until the annual permit fees are paid.

If reclamation is complete, the fee may not be required, but a request to inspect and close out the site must be submitted to the Division on form MR-SITE.

Forms and other permit-related information are available on the Web at <http://ogm.utah.gov/minerals> or you can call (801) 538-5291 for more information.

DIVISION OF OIL GAS AND MINING
1594 WEST NORTH TEMPLE SUITE 1210
PO BOX 145801
SALT LAKE CITY UT 84114-5801

Please make check payable to:
Division of Oil, Gas and Mining

Form MR-Site/Bond Release
(December 21, 2006)

Application for Site and/or Bond Release

Operator/Permittee: <u>U. S. Energy Corp</u>	
Mine/Project Name: <u>U/Let</u>	
File Number: <u>H370040</u>	
Check One:	
<input checked="" type="checkbox"/> Large Mine <input type="checkbox"/> Small Mine <input type="checkbox"/> Exploration	
Check one:	
<input type="checkbox"/> Partial Release of a <u>portion</u> of the mine site: Acres to be released: _____ Acres Remaining: _____ Specify Area: _____	
<input type="checkbox"/> Full Release of a <u>portion</u> of the mine site: Acres to be released: _____ Specify Area: _____ (A new map will need to be provided for the Notice or plan removing the released area from the disturbed or bonded area.)	
<input type="checkbox"/> Partial Release of entire mine site: Total Acres to be released: _____ (Backfilling and grading are completed)	
<input checked="" type="checkbox"/> Full Release of entire mine site: Total Acres to be released: <u>11.2</u> (Vegetation is established and has survived three growing seasons.)	
Amount of Existing Surety: <u>\$ 23,400⁰²</u>	
Amount of Surety requested for release: <u>\$ 23,400⁰²</u>	
Reason for Bond Release Request:	
Complete this section if the money released from this application is to be used as surety for future disturbance.	
Release bond on: _____ Acres (specify area) _____	
Apply Bond to: _____ Acres (specify area) _____	
Check Applicable Boxes	DESCRIPTION of RECLAMATION ACTIVITIES COMPLETED (Describe any variance(s) that have been granted, date activity completed)
<input checked="" type="checkbox"/> Wells Plugged / shafts sealed	<u>2003</u>
<input checked="" type="checkbox"/> Disposal of debris & other materials incident to mining	<u>2003</u>

✓	Drainages, reestablished & stable	2003
✓	Structures demolished / removed	2003
✓	Regrading Completed – Slopes, pits, highwalls in stable condition	2003
✓	Meets Postmining Land Use (Indicate Landuse)	Grazing
✓	Roads Reclaimed	2003
✓	Dams, Impoundments, Ditches, Pits reclaimed	2003
	Topsoil respread – amendments added	None
✓	Erosion Controlled	2003
	Vegetation meets 70% of premining cover and has survived three years for full bond release – or has survived one year growing season to maintain small mine status.	Reed Fall 2006 outside of Main Pool Area.

I hereby certify that I am a responsible official of the applicant and that the information contained in this application is true and correct to the best of my information and belief in all respects with the laws of Utah in reference to commitments and obligations, herein.

Frederick R. Craft
Print Name

[Signature]
Sign Name, Position

June 27, 2008
Date

Return to:

State of Utah
Department of Natural Resources
Division of Oil, Gas and Mining
1594 West North Temple, Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
Phone: (801) 538-5291 Fax: (801) 359-3940

FOR DOGM USE ONLY:	
File #:	M/ /
Approved:	
Bond Adjustment: from (\$)	
to \$	

O:\FORMS\Bonding Forms\Bond-Release\site-bond-release-applic.doc



Legend

— Roads - 9,150 feet

Area Type

Out Slope - 0.5 AC

Mine Area - 2.6 AC

Pad Area - 5.6 AC

0 500 1,000 2,000 3,000 4,000 5,000 feet

Velvet
Permit ID M370040
June 26, 2008 FRC